

Responses to Council Questions and Comments

3/11/2024

Item #7: Discussion of Cannabis Regulation Options

- Question: We could be helped for discussion on MON if we had that ordinance and map and past information from those discussions available to us ahead of time. If the number of retailers is limited, how would staff propose they be selected? Do we have survey from prior work on which property owners of those allowed buildings that would be willing to host a cannabis store?

- Response: A link to the City's existing cannabis regulations is included in the staff report and also below. Staff have been working draft regulations based on Santa Rosa's retail cannabis regulations, in accordance with the prior Council's direction. If the current Council supports the more limited regulation identified in the staff report for the March 11 agenda, staff will draft amendments to the City's existing cannabis regulations consistent with the Council's direction.

Ordinance and Map

This webpage <https://cityofpetaluma.org/cannabis-business-information/> provides the current permit application, the ordinance, and the regulations. It also includes the current map and a summary of our current program. The map was an accurate description of parcels that could potentially allow a cannabis use given the data regarding buffers and sensitive receptors we had at the time. We would need to run another analysis to know if that map is still accurate.

Past information from those discussions available to us ahead of time.

Here is a link to the [meeting](#) where this was adopted. Here is a [link to the meeting](#) where the workshop was held.

- Question: Also to discuss is if we do allow 3 retailers to come into town, how would we select them?
 - Response: Staff selected the current permit holder through a request for proposal process where applicants submitted information about their proposed business model, location, and team. Artisan Farmer's Market was the only group that met the requirements for a suitable location, feasible business model, and team that met background requirements.
- Question: Do we have survey from prior work on which property owners of those allowed buildings that would be willing to host a cannabis store?
 - No, we do not. Presumably, tenants and/or building owners interested in being approved as cannabis retailers will apply for a permit and that will indicate those tenants and building owners interested in having retail cannabis sales at their location. If the City Council chooses to limit the zones in which cannabis retail can occur, as is the case with the City's current cannabis regulations, that will further limit the existing properties eligible for a cannabis retail sales permit.
- Question: Do other City's allow these businesses to be in a shopping center?

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- Response: If the Council would like staff to survey permitted cannabis retail sales zones in other jurisdictions staff will be happy to do so. Santa Rosa's regulations only allow cannabis retailers in industrial and most of their commercial districts including commercial shopping centers. All locations require a conditional use permit.
- Question: Also, in review of a Down Under Industries receipt there is county, Sales, plus an Excise tax. If the business was in Petaluma, which tax would be to the City?
 - Response: A Cannabis business located within the jurisdiction of the City of Petaluma would pay City sales taxes. An excise tax would only be generated if Petaluma implemented a voter-approved excise tax a la Santa Rosa. Past rough estimates were that a similar tax, if implemented in Petaluma, may generate in the ballpark of \$350,000 - \$400,000 annually.
- Question: How much tax revenue does the City receive from our local Cannabis delivery business, Farmhouse?
 - Response: We are not able to share tax information from an individual business due to privacy laws. However, given Santa Rosa's data and extrapolating to Petaluma, staff would estimate about \$100,000 - \$120,000 annually in basic sales tax from 3 permitted retail cannabis outlets. We would receive double that amount due to Measure U.
- Question: Does the Fire department need to weigh on tenant improvements, separately from existing plan review?
 - Response: Whatever direction the City Council gives for updated Petaluma cannabis regulations to permit on-site retail sales, applications for cannabis retail sales permits would receive full interdepartmental permit review as appropriate for the City regulations that apply, just like any other application. This would include Fire Department review, Community Development Department review, Police Department review, etc.
- Question: If Council directs a clause such as "no retail cannabis, in a business park or not, can be within 1000 feet of a school" then existing schools will govern locations. If a new school is proposed, will the school be restricted, or will the cannabis retail become not permitted?
 - Response: If the City Council directs that staff prepare updated cannabis regulations with setbacks for onsite retail cannabis sales, the presence of a school would prevent a new cannabis retail business being permitted within the setback. However, once a cannabis business was permitted and its development rights vested (by incurring hard costs based on an approved permit), a new school proposed within the setback could not force the business away, absent a cannabis retail setback for new schools like that for new cannabis retail. If the Council enacted a retail cannabis setback without a school

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setback and a permitted cannabis retail location that was within a school setback because a school was approved within the setback after the cannabis businesses' rights vested, and the cannabis business later had its permit to operate expire or it was revoked, then the school within the setback would prevent the cannabis business from being re-permitted. These are issues the Council may want to consider regarding updates to the City's cannabis regulations.

The cannabis business setback requirement in the City's existing cannabis regulations is as follows: Use must be at least 600 feet from a [school](#) or a childcare center, at least 200 feet from [parks](#), youth centers, or the [library](#), and 100 feet from residential districts as measured from property line to property line.

Under the City's existing cannabis regulations, cannabis businesses must obtain an annual commercial cannabis permit. The purpose of this requirement is to facilitate non-renewal of businesses that are out of compliance with the City's regulations, without the need for permit revocation.

- Question: What signage applies to on-site retail?
 - Response: The City's current regulations, require that delivery only retail not have any signage indicating a cannabis business is on site. This requirement was for safety purposes and has worked effectively. Here is the current regulation from the Municipal Code: Retail sale of cannabis and cannabis products using a delivery-only method in accordance with Section [10.15.060](#), at a maximum of two different locations in the city, with no sale of cannabis or cannabis products to customers, primary caregivers or qualified patients occurring at the business location, no customers, primary caregivers or qualified patients permitted at the business location at any time, and no signage at the business location or on the delivery vehicles indicating the presence of cannabis or cannabis products or that the seller sells cannabis or cannabis products.

The City Council's adoption of updated cannabis regulations permitting on-site retail sales would require revisiting the current cannabis business sign regulations. The prohibition against signage for non-retail businesses would still serve a safety function. However, cannabis retail on-site sales locations would need signage for their business like any other on-site retail business. The default in the City's Implementing Zoning Ordinance sign regulations is that the sign regulations that apply to the zone(s) where cannabis on-site retail sales are permitted would apply to cannabis businesses in those zones. However, if special signage regulations are desirable for on-site cannabis retail sales they can be included as part of the zoning amendments to permit on-site cannabis retail sales as a permitted use in specified zones. Here is a link to the zoning ordinance sign regulations that apply to Commercial, Mixed Use, Business Park

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and Industrial zones in the City:

<https://petaluma.municipal.codes/ZoningOrds/20.050>

- Question: State Public Health Institute seems to favor limiting cannabis retail sales licenses to non-profit organizations. Are there nonprofit organizations selling cannabis in Sonoma County?
 - Response: As part of its research, staff can look into any available information about types of organizations in Sonoma County engaging in retail cannabis and can bring that information back when we bring regulations back to Council for consideration.
- Question: Can background information on social equity programs as part of cannabis licensing be provided?
 - Response: The state's Department of Cannabis Control is committed to providing equity to communities harmed by cannabis criminalization. It provides practices to help local jurisdictions develop equity resources that fit the needs of its local cannabis businesses. Additional info can be found on their website: <https://cannabis.ca.gov/resources/equity/>. Staff will provide this information when we come back to Council with a draft ordinance.